

The following letter was
sent to the members of the
Committee on the Budget

Social Security Advisory Board

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Dear _____:

I am writing to you on behalf of the Social Security Advisory Board to encourage you to support a Congressional Budget that will accommodate sufficient administrative funding to enable the Social Security Administration to carry out both its service and stewardship responsibilities. While the agency is continually expected to fulfill both responsibilities, it has been inadequately funded to do so for several years. The result is that the American public has been unnecessarily forced to accept a quality of service that continues to deteriorate. In particular, hundreds of thousands of the most vulnerable in our society have endured extraordinary delays in resolving their disability benefit claims. Additionally, the agency has had to curtail eligibility reviews that would otherwise generate large savings.

The Board is aware that both Congress in general and the Budget Committee in particular want to avoid unnecessary costs and limit budgetary deficits. We are convinced, however, that the practice of underfunding the administrative resources of the Social Security Administration has done, and will do, nothing to improve the Federal budgetary balance, and will only contribute to larger deficits. We believe that Congress can and should be able to structure the agency's funding so that it can manage its workloads to provide an acceptable level of public service while simultaneously carrying out its stewardship responsibility. With the means to properly carry out these essential activities the gains accrued from proper stewardship will more than meet the costs of improved service.

The Social Security Administration handles massive workloads. Each year Americans pay 42 million visits and place 68 million phone calls to the agency's 1300 field offices. Another 60 million calls are placed to its 800 number. The agency processes 4 million retirement claims each year, and an additional 2.5 million disability claims. The disability claims are particularly complex and resource intensive. Each claim typically starts with a detailed field office interview, and is then forwarded to a State Disability Determination Service where a skilled disability examiner gathers evidence from a variety of

medical sources. In consultation with an agency physician, the examiner makes a determination of whether the applicant's medical condition and vocational capabilities would or would not preclude engaging in substantial employment. This is a difficult decision under any circumstances, but because of the potential impact on an individual of a denial, over half a million of these decisions are appealed annually and proceed on to further levels of review.

When the agency is inadequately funded, as it has been for the past number of years, it quite simply cannot handle these workloads. Telephone calls from the public go unanswered, and in many field offices it is now only the rare phone call that gets through. Claims still get decided, but the claimants have to wait longer and longer for those decisions. Since the year 2000, the number of undecided hearings cases has more than doubled, rising steadily from 311,000 to an alarming 717,000 as of January 2007. Even if the President's budget request is fully funded—something that has not happened so far in this century—the number of undecided hearing cases will increase by another 50,000 by the end of fiscal 2008. With any less funding, this backlog will grow even larger. The average processing time at the hearings level has risen sharply from 257 days in 2000 to a current 499 days, and is projected to balloon to 548 days by the end of fiscal 2008.

These are frighteningly large numbers, but they are not “just numbers.” The people they count are Americans with disabilities who are seeking the income support and health benefits our Social Security programs provide. Many of them have little or no alternative resources to depend on while awaiting the outcome of their claim. As of January, 287,000 of these claimants have already been waiting over a year for their hearing decision, and with the average hearing decision currently taking over 16 months, they are still months away from the hope of a positive resolution to their case.

It is bad public policy to provide the agency with insufficient resources to handle its standard workloads in a timely and efficient manner. Worse, it also is terrible budgetary policy—the very epitome of “penny wise and pound foolish.” These inappropriate constraints on administrative funds:

- undermine careful decision making, and can lead to incorrect benefit costs that far outweigh the administrative savings,
- force the diversion of resources from stewardship activities that could pay for themselves several times over, and
- ultimately increase future administrative costs by requiring additional handling, and increasing the likelihood that claims will be pushed to more costly levels of adjudication.

The administrative costs of the Social Security program are but a tiny fraction of the benefit costs, yet they have the ability to save millions of dollars. Rising hearing backlogs create pressures for quicker and less careful adjudication. One incorrect allowance can represent a quarter of a million dollars in incorrect Social Security and Medicare benefits. It is noteworthy that while the hearings backlog was growing over the past 7 years by an average of 64,000 cases per year, the allowance

rate for hearings decisions has increased by over a percentage point per year: from 63 percent in 1999 to 72 percent in 2006. Is this increase representative of incorrect allowances at the hearings level...or incorrect denials at earlier levels? While we have no way at this time to know for sure, what we do know is that the increase clearly represents a less-than-responsible result where each individual claim has enormous personal and budgetary consequences.

The area where inappropriately low administrative funding produces results that are even more obviously foolish from a budgetary standpoint is the adverse impact on the Social Security Administration's stewardship responsibilities. When backlogs are allowed to rise and claims are going undecided for many months and even years, the Commissioner of Social Security has no real choice but to shift resources from reviews of continuing eligibility to moving initial claims. Actuarial analyses of the value of regular eligibility reviews have consistently shown a very high return on these stewardship activities. Regular eligibility redeterminations, and continuing disability reviews provide returns in the range of \$7 to \$10 in savings for every administrative dollar expended. For example, the President's budget proposes increasing funding for these reviews by \$213 million in fiscal 2008. The actuarially projected cost savings from that initiative are \$1.8 billion over the first 10 years. But that can only occur if overall administrative funding is adequate, and these funds are allowed to remain in the implementation of this initiative. It is clear that the constrained resources of recent years have resulted in substantial missed savings, a fact easily grasped when one notices that continuing disability reviews completed at the State Disability Determination level have declined drastically in the past few years from 687,000 in 2003 to only 343,000 in 2006.

Even within the "discretionary" budget, constraining spending below the level needed to prevent currently growing backlogs is a largely illusory budgetary approach. The great bulk of the Social Security Administration's workloads are mandatory ones that may be delayed, but eventually will have to be handled. Every delay makes them ultimately more expensive to handle. Unanswered phone calls generate more phone calls, and eventually personal visits to a local office or calls to elected officials. Delayed processing of disability claims frequently requires gathering (and paying for) additional, more current evidence. And to the extent that backlogs create pressures leading to less careful adjudication, more claims are likely to wind up in the later appeal stages. This means both additional processing, and processing at a level that is much more costly to operate.

The adverse effects of underfunding the administrative costs of the Social Security programs are bad now, by any measure, but they will only get worse. The baby boom has now begun to move into its "disability-prone" years. Social Security workloads are going to increase. Over the next decade and a half, today's 50 million Social Security beneficiaries will increase to over 70 million. The agency needs to begin now to make an investment in technology that will enable it to handle as much of that workload as possible in ways that are less labor intensive. But, it will not be able to make that investment, to plan ahead, if it is not immediately given the resources to do so, and to also make the human capital investments that it needs to handle its existing workloads.

The Board understands that the Budget Resolution has limited ability to address specific funding issues. At the same time, we are aware that funding mechanisms, such as cap adjustments, have been found in the past to address needs such as adequately funding stewardship activities and upgrading SSA technology. In addition, as we have pointed out, it is in the long-range interests of budgetary responsibility to fund the agency adequately so it can return to a level of currency in processing claims, and in conducting essential stewardship activities. Both the human and budgetary costs of large backlogs and processing delays are real and avoidable. A rational approach would be to develop a mechanism that funds stewardship activities, and also allows some portion of the savings they will achieve to be used to address the agency's service responsibilities. The reality of the savings from the stewardship activities has been established by careful actuarial reports provided to the Congress over the past several years. But it is also a well established reality that stewardship activities will wither if underfunding the agency's service responsibilities creates huge claims backlogs. We urge you to find a way for both of these important needs to be met.

Sincerely,

Sylvester J. Schieber